



MERRILL ISLAND MINING CORPORATION, LTD.

(NO PERSONAL LIABILITY)

SEVENTEENTH ANNUAL REPORT
TO JUNE 30, 1968

AR35



Mr. E. W. Watt, Mine Manager, inspecting ore bins at Icon.





MERRILL ISLAND MINING CORPORATION, LTD.

(NO PERSONAL LIABILITY)

SEVENTEENTH ANNUAL REPORT

TO JUNE 30, 1968

DIRECTORS

CHARLES BOUFFARD
C. ANTOINE GEOFFRION, Q.C.
RANDOLPH P. MILLS
HUBERT J. MOCKLER
MAURICE SAMSON, O.B.E., C.A.
FRIDOLIN SIMARD
JEAN-PAUL TARDIF, M.S.C.

OFFICERS

RANDOLPH P. MILLS, President
MAURICE SAMSON, O.B.E., C.A., Vice-President
JOSEPH O. SABOURIN, F.C.I.S.,
Secretary-Treasurer

TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST COMPANY
600 Dorchester Blvd., West
Montreal 2, Que.

1901 Yonge Street
Toronto, Ont.

MINE MANAGER

EDWARD W. WATT
Chibougamau, Que.

HEAD OFFICE

Suite 400
621 Craig Street West
Tel. 861-9233
Montreal 3, Que.

MINE OFFICE

P.O. Box 520,
Chibougamau, Que.

AUDITORS

RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants,
630 Dorchester Blvd. West
Montreal 2, Que.

The Annual Meeting of the Shareholders of Merrill Island Mining Corporation Ltd. (No Personal Liability) will be held in the Prince of Wales Room, Windsor Hotel, Montreal, Canada, on Friday, the 25th day of October, 1968, at the hour of 11:00 o'clock in the forenoon (Eastern Daylight Saving Time).



PRESIDENT'S REPORT TO THE SHAREHOLDERS

Your Directors submit for your consideration the seventeenth Annual Report for the year ended June 30, 1968. In the following pages there is included the Audited Balance Sheet, Statement of Earnings, Retained Earnings Statement, Statement of Source and Application of Funds, Statement of Working Capital, the Mine Manager's Report, and Report of the Exploration Manager on outside exploration activities.

SUMMARY

Earnings from operations for the year were \$528,867, equal to 9.81 cents per share on the 5,420,340 shares of the capital stock outstanding, after deducting depreciation on plant and equipment of \$70,154 and \$55,720 on houses in the town of Chibougamau. Net earnings credited to retained earnings were \$184,896, equal to 3.4 cents per share, after deduction of general and administrative expenses of \$154,517 and exploration expenses of \$189,454.

Current assets were \$3,477,844 and current liabilities \$125,327, leaving net working capital of \$3,352,517 as compared with \$2,940,673 at the end of the previous year, an increase of \$411,844.

Milling operations were confined exclusively to treatment of ore from the Icon Sullivan Joint Venture. Underground mining operations were continued at Merrill until December, at which time they were phased out with the sale of the underground workings and the leased area to Campbell Chibougamau Mines Ltd.

Exploration activities were expanded and emphasis placed on the search for uranium deposits through Quebec Uranium Mining Corporation. The following tabulation gives a summary of results in comparison with the previous year:

	1968	1967*
Earnings from operations before general and administrative expenses, exploration expenses and mining duties . . .	\$528,867	\$309,022
Per share	9.81¢	5.74¢
Net earnings for the year	184,896	59,757
Per share	3.4¢	1.1¢
Charges to operations not requiring use of funds	125,874	494,117
Net cash generated	411,844	530,356

*Reclassified for comparative purposes

PRODUCTION

The mill was operated exclusively on ore from the Icon Sullivan Joint Venture and a total of 193,573 tons, an average of 603 tons per day, were treated. Income from the Icon operation was \$254,682, of which \$157,895 represented our 10% participation in profits and \$96,787 milling fees covering the milling toll of 50 cents per ton in addition to our cost. Your company obtained no participation in profits during the first six months as all income during this period was allocated to repay Icon's preproduction expense of \$1,073,820.

View of No. 3 open pit at Icon being prepared for production.



Original No. 1 open pit showing adit entrance. Ore is now being mined underground as depth of overburden increases with dip of ore bed.





FINANCIAL REVIEW

Current assets at the end of the year were \$3,477,844, which included cash and deposit receipts of \$1,052,164, and investments of \$1,616,051. Current liabilities were \$125,327, leaving net working capital of \$3,352,517. This compares with current assets of \$3,100,562 and current liabilities of \$159,889 at the end of the previous year, leaving net working capital of \$2,940,673, an increase of \$411,844. The mill, buildings and milling equipment are now carried at a depreciated value of \$447,242 the real estate and houses in the town of Chibougamau at \$358,572 and the mining properties at \$5,600. The undepreciated capital cost of fixed assets for tax purposes is \$3,561,500 and the difference of \$2,750,096 will be available in future years to offset any taxable income.

MINING OPERATIONS

Underground mining operations were continued on a reduced scale at the Merrill mine until December 1, 1967, with exploration and development concentrated on trying to develop additional ore reserves. Both drifting and diamond drilling was carried out on the Chib-Kayrand property. Further mining and exploration was carried out on the lower level of the "E" Zone of the Merrill mine and a total of 11,263 tons, with an average grade of 2.61% copper, was mined and stockpiled on surface.

CAMPBELL CHIBOUGAMAU MINES LTD.

Agreement was concluded as of December 12, 1967, with Campbell Chibougamau Mines Ltd. for the sale of the area under lease to Campbell, the shaft and underground workings of Merrill, including mining equipment, buildings and the stockpile of ore on surface. In addition, Merrill also transferred to Campbell its interest in certain agreements between Merrill and Chib-Kayrand Copper Mines Limited respecting Chib-Kayrand mining concession and an additional 71 claims in Obalski township.

The purchase price was the issuance to Merrill of 50,000 shares of Campbell Chibougamau Mines Ltd. and \$700,000, of which \$200,000 has been received and the balance is payable \$200,000 in January, 1969, \$200,000 in January, 1970 and \$100,000 on January 5, 1971. Your company, therefore, received approximately \$1,050,000 from the sale of these assets, which also includes a general release of our claims and legal action against Campbell Chibougamau Mines Ltd.

With the depletion of our ore reserves the mining of the remnants of ore in widely scattered areas on a salvage basis was not profitable. Sale of the underground workings relieved the company of any further maintenance expenses.

All underground mining operations were gradually phased out, a number of underground employees were retained by Campbell Chibougamau Mines, while the majority of the staff and other personnel were absorbed in the Icon operation as the underground workings were enlarged.

URANIUM

Aerial exploration carried out this summer by Quebec Uranium Mining Corporation, using

No. 1 open pit now largely mined out, from surface to adit entrance.



Loading ore at No. 3 pit at Icon.





MERRILL ISLAND MINING CORPORATION, LTD.

(No Personal Liability)

a small aircraft equipped with the latest Gamma Ray Spectrometer equipment, has shown that large areas can be economically prospected to locate areas of radio activity. As a result of the experience gained in this work, this program will be expanded, using a larger and better-equipped aircraft to fly, not only areas in Canada, but in other parts of the world. Merrill Island will increase its interest in Quebec Uranium through providing additional financing, which will permit the company to carry out large-scale aerial surveys on its own or in joint operation with other companies in the hope of locating radio active areas and new sources of uranium ores.

EXPLORATION

Exploration activities were expanded and a number of properties were explored or examined on working options. Diamond drilling was carried out on your company's concession No. 136 in the Chibougamau area and a copper showing found by company's prospectors was also explored by diamond drilling. Development, including both drilling and geophysical surveys, was completed on properties in New Brunswick, and an examination was carried out on several properties in Chile, South America. Full details of the exploration program is given in the report of Mr. R. L. Alexander, Exploration Manager.

MAGNETICS INTERNATIONAL LTD.

Your company has maintained a substantial interest in Magnetics International and has been assisting in the financing of this company's expansion program. The company has recently completed a sales agreement with General Magnetic Corporation of Detroit, and plans to begin immediate construction of a plant for its subsidiary, Ferro Iron (New York) Ltd. at Ogdensburg.

The plant of Fina Metal Ltd., owned 51% by Petrofina of Canada Ltd. and 49% by Magnetics International Ltd., with a capacity of 50 tons per day of iron powder is nearing completion and is scheduled to go into operation by the end of the year.

GENERAL

Your management has been active in plans to enlarge the scope of your company's activities. Negotiations are underway for the acquisition of other promising and profitable mining operations. As soon as any definite agreements are reached on these negotiations, shareholders will be fully informed.

While the price of copper has declined in the last three months, with the opening of the No. 3 open pit at Icon the grade of ore should improve and will, to some extent, offset the lower price received for metals. Mining cost will also be reduced as a large tonnage is mined from underground workings using trackless mining equipment. Your company's share in the profits from the Icon operation this year should show a substantial increase as all preproduction expense has now been repaid. Income from investments is also expected to improve this year and add considerably to your income.

Your Directors wish to express their appreciation to Mr. E. W. Watt, the Mine Manager, Mr. R. L. Alexander, Manager of the Exploration Department, Dr. J. H. Morgan, your Consulting Geologist, and to all of the staff for their continued and loyal services throughout the year.

On behalf of the Board,

Montreal, Quebec.
September 12, 1968.

R. P. Mills,
President.



MINE MANAGER'S REPORT TO THE DIRECTORS

MILLING

Throughout the period under review the mill operated on the ores of the Icon Sullivan Joint Venture exclusively. A total of 193,573 dry tons, or an average of 603 tons per working day, were processed. There were 20,873 tons of concentrate containing 10,390,539 pounds of copper produced. Average recovery was 95.18%.

MINING

The mining operations reported here are for the period prior to the sale of the underground workings to Campbell Chibougamau Mines Ltd. That is from July 1, 1967 to November 30, 1967.

a) Development

The drive into the Chib-Kayrand workings on the 925 foot level was advanced a further 107 feet to establish a suitable location for diamond drilling. In all, 7,079 feet of diamond drilling was completed. This consisted of 4,285 feet of underground drilling and 1,214 feet of surface drilling on the Chib-Kayrand property, plus, 1,580 feet of drilling for Campbell Chibougamau Mines Ltd. No new ore was developed by this drilling.

b) Production

Mining operations were continued on a reduced scale during the first five months of the fiscal year. At December 1, 1967, there were 14,760 tons of broken ore in the Merrill mine grading 2.61% copper and of this total 11,263 tons had been hoisted and stock-piled on surface. This ore was all from the Merrill Island property. Breaking was all from the "E" Zone, but the ore trammed included some previously broken ore in a shrinkage stope in the "A" Zone. There was no ore broken or hoisted from the Chib-Kayrand property during this period.

The mining operations at Icon Sullivan Joint Venture expanded as those at Merrill mine decreased and many of the supervisory and underground personnel moved directly to the Icon operation. The miners that remained were retained by Campbell Chibougamau Mines Ltd., with the sale of the underground workings to that company.

GENERAL

The number of persons employed at the mine property in mill, shops, surface and supervisory duties was 47 compared with 114 a year ago.

Once again I wish to record my thanks and appreciation for the assistance of the staff and for the support from the Officers and Directors of the company throughout the year.

Respectfully submitted,

E. W. Watt,
Mine Manager.

Chibougamau, Quebec.
August 30, 1968.



EXPLORATION MANAGER'S REPORT TO THE DIRECTORS

Summary of Explorations to June 30, 1968

Company personnel and partners carried out exploration activities during the year in the following areas:- Chibougamau, Mistassini Lake, Noranda, Gaspé, New Brunswick, Northern Ontario, British Columbia and Chile, South America. Merrill Island is directing exploration for uranium by Quebec Uranium Mining Corporation.

Following a discovery of copper mineralization by a prospecting team in Latouche and Julien townships, approximately 40 miles west of Chibougamau, 32 claims were staked. The claims were prospected and surveyed electromagnetically and magnetically.

A number of conducting zones were outlined. Efforts to investigate these by trenching were foiled by water. Ten holes were drilled for a total of 2,062 feet to investigate these anomalies. Some anomalies are caused by graphite, others by sulphide minerals, but there is insufficient concentration of economic minerals where intersected to justify further work.

Two electromagnetic anomalies on the company's concession No. 136, Block "D" of Obalski township were drilled with two holes for a total of 1,100 feet. This property, a few miles west of the mine, contains iron formation and limited sulphides which are not economic in concentration.

Five anomalies were traced by geophysical surveys, on company claims located in Gand township, about 70 miles west of Chibougamau. These targets were explored with five drill holes for a total of 1,118 feet of drilling. The causes of the conductors are graphite and conductive porous faults with minor pyrite mineralization. The results do not justify further work.

Prospecting and reconnaissance geophysical surveying was conducted in Duquet and number 1126 townships, which are located northwest of Icon; additional work is not warranted at this time.

A belt of volcanics and sediments extending 40 to 70 miles westerly of Chibougamau is now being explored by a prospecting team.

In the Noranda district, three optioned groups of claims were explored by geophysical surveys. The group of claims (800 acres) situated in Duprat township was explored by magnetic and three methods of electromagnetic surveys. There are two targets which should be explored by drilling.

The properties located in Rouyn and Laverlochère townships were prospected in detail, trenched and an electromagnetic survey carried out. The last two properties were returned to the owners after negative results were obtained.

The company participated in the Indian Brook Syndicate, which explored an area in Richard and Lemieux townships of Gaspé, Quebec. A survey of stream silt sampling and soil sampling gave several limited anomalous areas, which proved to have no economic concentration of minerals after checking with geophysical methods and prospecting by trenching.

Exploration was completed on an optioned group of 34 claims in Boisbuisson township of Gaspé north of the Wexford Mine. Geochemical and electromagnetic surveys were conducted and five targets were drilled with nine holes for a total of 2,167 feet. Results of the drilling do not warrant further work and the option was dropped.

The company is sharing the cost of a prospecting crew investigating selected areas of New Brunswick. The company drilled three holes for a total of 1,351 feet to investigate a geological possibility which proved negative. This property was optioned from Crackingstone Mines Limited. It is located in Northumberland County, New Brunswick, about five miles south of Heath Steele Mines.

A group of 20 claims located 15 miles west of Saint John, N.B., was optioned and explored by geochemical and geophysical surveys. A drill program of 8 holes for a total of 2,455 feet investigated all reasonable targets. Sulphide minerals containing lead, silver, antimony and some copper were encountered, but over narrow widths and in most cases below economic concentrations. This option has been dropped.

This company and Ran-Lux Mines Ltd. shared the cost of exploring a 17 claim group known as the Lepreau property, which is located about 20 miles west of Saint John, N.B., along Lepreau River. Three anomalous targets were found by geochemical and geophysical surveys which were explored with three holes, a total of 1,189 feet of diamond drilling. The results do not warrant further investigation.

A group of 80 claims were staked in the Onaman Lake area of northwestern Ontario, located 30 miles north of Jellicoe, Ontario. These were staked to cover magnetic and electromagnetic anomalies indicated by aerial surveys. Ground follow-up work is now underway.

Merrill Island Mining Corporation, Ltd. is sharing 20% of the cost for a prospecting program in an area north and east of Red Lake, Ontario. Other participants in this Archie Gamble Syndicate are Falconbridge, Giant Yellowknife, Ranworth Exploration and Cliffs of Canada.

In British Columbia, Merrill Island continued participation with Terra Nova Explorations in an exploration project in the Babine Lake area. Work this year was confined to soil sampling and prospecting an area indicated to be promising in last year's program. Results of this work have just been received and are being assessed.

Five mining properties located south of Santiago, Chile, were examined. A proposal for an exploration and production program on these copper prospects was presented to the company. The program seems uncertain in the light of other complications and is not feasible.

The main exploration effort since December has been the search for uranium by Quebec Uranium Mining Corporation, partly financed and directed by Merrill Island. Quebec Uranium has groups of claims in the Johann Beetz and Mistassini Lake areas of Quebec, Cambrian Lake area of New Quebec, Elliot Lake area of Ontario, and has recently optioned 25 claims in the Lake Ste. Anne area of Quebec, northeast of Mont Laurier.

A Gamma Ray Spectrometer in a Cessna 180 aircraft has been employed as a primary prospecting tool in this program. Ground crews are following up any aerial indications of radio activity. At this stage of the work, it is too early to report on the results.

Respectfully submitted,

R. L. Alexander,
Exploration Manager.

Montreal, Quebec.
September 11, 1968.

**MERRILL ISLAND MINING CORPORATION, LTD.**

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

BALANCE SHEET as at June 30, 1968**ASSETS****CURRENT ASSETS**

	1968	1967*
Cash and deposit receipts	\$1,052,164	\$1,398,551
Accounts receivable		
Joint Venture (Note 1)	282,387	71,801
Metals	—	551,535
Other	181,396	58,992
Balance of sale current portion (Note 2)	200,000	240,400
Investments — current (Note 3)	1,616,051	623,908
Inventory of supplies at cost	120,207	134,071
Prepaid expenses	25,639	21,304
	<u>3,477,844</u>	<u>3,100,562</u>

INVESTMENTS NON-CURRENT

Balance of sale (Note 2)	300,000	—
Investment in wholly owned unconsolidated subsidiary shares at cost and advances representing approximate underlying book value	25,010	4,585
	<u>325,010</u>	<u>4,585</u>

FIXED ASSETS at cost (Note 4)

Mill, buildings and equipment	1,280,814	2,335,449
Accumulated depreciation	833,572	1,364,579
	<u>447,242</u>	<u>970,870</u>
Townsite lots and houses	628,805	642,350
Accumulated depreciation	270,233	219,198
	<u>358,572</u>	<u>423,152</u>
Mining properties	5,600	5,600
	<u>811,414</u>	<u>1,399,622</u>

DEFERRED CHARGES

Organization, pre-milling and development expenses	—	3,704,739
Amount amortized	—	3,704,739
	<u>—</u>	<u>—</u>
	<u>\$4,614,268</u>	<u>\$4,504,769</u>

SIGNED ON BEHALF OF THE BOARD:

R. P. Mills, Director

H. J. Mockler, Director

LIABILITIES

CURRENT LIABILITIES

	1968	1967
Accounts, payable and accrued	\$ 103,738	\$ 122,577
Mortgage instalments due within one year	21,589	22,312
Provision for provincial mining duties	—	15,000
	<u>125,327</u>	<u>159,889</u>

MORTGAGE PAYABLE

5¼ % secured by townsite houses and repayable by equal monthly instalments of principal and interest extending to 1972 less \$21,589 included in current liabilities	<u>72,423</u>	<u>95,926</u>
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CONTINGENT LIABILITY (Note 5)

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized 6,000,000 shares of \$1 each		
Issued		
5,420,340 shares (Note 6)	5,420,340	5,385,340
Premium received	<u>1,487,720</u>	<u>1,487,720</u>
	6,908,060	6,873,060
Discount allowed	<u>2,502,333</u>	<u>2,502,333</u>
	<u>4,405,727</u>	<u>4,370,727</u>

RETAINED EARNINGS (DEFICIT)	10,791	(121,773)
	<u>4,416,518</u>	<u>4,248,954</u>
	<u>\$4,614,268</u>	<u>\$4,504,769</u>

*Reclassified for comparative purposes.

The accompanying notes are an integral part of this financial statement.

AUDITORS' REPORT

To The Shareholders
Merrill Island Mining Corporation, Ltd.
(No Personal Liability)

We have examined the accompanying financial statements of Merrill Island Mining Corporation, Ltd. (No Personal Liability) for the year ended June 30, 1968 comprising the balance sheet at that date and the statements of earnings, retained earnings (deficit), source and application of funds and working capital for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the aforementioned statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at June 30, 1968 and the results of its operations and source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell, Stead, Graham & Hutchison
Chartered Accountants

August 30, 1968



STATEMENT OF EARNINGS for the year ended June 30, 1968

	1968	1967*
REVENUE		
Metal recoveries at main mine	\$ 22,226	\$1,698,566
Sale of stockpiled and broken ore (Note 2)	230,000	—
	<u>252,226</u>	<u>1,698,566</u>
Production costs	137,880	898,345
	<u>114,346</u>	<u>800,221</u>
Joint venture profit sharing and toll charge (Note 1)	254,682	81,087
	<u>369,028</u>	<u>881,308</u>
EXPENSES		
Mine and mill administration	31,247	142,467
Insurance, taxes and other	16,737	20,779
Depreciation (Note 4)	70,154	437,190
	<u>118,138</u>	<u>600,436</u>
Revenue from operations — net	<u>250,890</u>	<u>280,872</u>
OTHER REVENUE		
Profit on sales of investments	224,463	22,510
Interest and dividends	113,096	65,239
Loss on townsite houses including depreciation of \$55,720 in 1968 and \$56,927 in 1967 (Note 4)	(59,582)	(59,599)
	<u>277,977</u>	<u>28,150</u>
EARNINGS FROM OPERATIONS	<u>528,867</u>	<u>309,022</u>
General and administration expenses (Note 7)	154,517	114,341
Provincial mining duties	—	15,000
	<u>154,517</u>	<u>129,341</u>
Net earnings before exploration expenses	374,350	179,681
Exploration expenses	189,454	119,924
NET EARNINGS FOR THE YEAR (Note 8)	<u>\$ 184,896</u>	<u>\$ 59,757</u>

*Reclassified for comparative purposes.

The accompanying notes are an integral part of this financial statement.



STATEMENT OF RETAINED EARNINGS (DEFICIT) for the year ended June 30, 1968

	1968	1967
BALANCE AT BEGINNING OF YEAR	(\$ 121,773)	\$ 27,550
Net earnings for the year	184,896	59,757
Adjustments to prior years' expenses	12,844	—
Refund of taxes paid in prior years	3,607	5,920
	<u>79,574</u>	<u>93,227</u>
Loss on sale of assets and settlement of claims	68,783	—
Mining claims written off	—	215,000
BALANCE AT END OF YEAR	<u>\$ 10,791</u>	<u>(\$ 121,773)</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS for the year ended June 30, 1968

FUNDS WERE PROVIDED BY:

	1968	1967
Operations		
Net earnings for the year	\$ 184,896	\$ 59,757
Charges to operations not requiring the use of funds:		
Depreciation on mill, buildings and equipment	70,154	437,190
Depreciation on townsite houses	55,720	56,927
	<u>125,874</u>	<u>494,117</u>
FUNDS PROVIDED BY OPERATIONS	310,770	553,874
Sale of fixed assets	484,222	—
Issue of capital stock	35,000	—
Adjustment to prior years' expenses	12,844	—
Refund of taxes paid in prior years	3,607	5,920
	<u>846,443</u>	<u>559,794</u>

FUNDS WERE APPLIED TO:

Balance of sale non-current portion	300,000	—
Loss on sale of assets and settlement of claims	68,783	—
Reduction of mortgage payable	23,503	22,317
Purchase of fixed assets	21,888	8,507
Increase (decrease) in advance to subsidiary	20,425	(1,386)
	<u>434,599</u>	<u>29,438</u>
INCREASE IN WORKING CAPITAL	<u>\$ 411,844</u>	<u>\$ 530,356</u>

STATEMENT OF WORKING CAPITAL as at June 30, 1968

	1968	1967
CURRENT ASSETS	\$3,477,844	\$3,100,562
CURRENT LIABILITIES	125,327	159,889
	<u>3,352,517</u>	<u>\$2,940,673</u>
Working capital June 30, 1967	2,940,673	
INCREASE IN WORKING CAPITAL FOR THE YEAR ENDED JUNE 30, 1968	<u>\$ 411,844</u>	

**NOTES TO FINANCIAL STATEMENTS for the year ended June 30, 1968****NOTE 1. ICON SULLIVAN JOINT VENTURE**

In May 1967 the company, under agreement, commenced the milling of ore for the joint venture. This agreement is operative for a period of five years ending in May 1972 without provision for cancellation in the first eighteen months and subject to six months notice thereafter. The agreement provides that the joint venture will pay this company 10% of the excess of total receipts over total expenditures plus a toll charge per ton of ore milled. Expenditures includes preproduction expenses, payments for mining rights, fixed assets and the costs of mining, milling and marketing.

As at June 30, 1968, \$157,895 representing the company's unaudited portion of the excess of receipts over expenditures to date has been taken into income and is included in the amount receivable with toll charges and other expenses.

NOTE 2. CAMPBELL CHIBOUGAMAU MINES LTD.

Effective December 1, 1967 the company sold to Campbell Chibougamau Mines Ltd. the mining concessions, underground workings, mining equipment and related buildings excluding milling facilities, certain residences, stockpiled and underground broken ore together with rights in the agreements with Chib-Kayrand Copper Mines Limited. In addition the emphyteutic lease with Campbell dated April 2, 1952 was cancelled and full and final discharge of the claims dated June 30, 1961 (\$1,571,683 plus interest) and June 26, 1965 (\$1,353,951 plus interest and costs) has been given. Of the amounts claimed \$240,400 was reflected in the books of the company as at June 30, 1967.

The price and consideration received from Campbell for the sale of assets and settlement of claims are as follows:

- 50,000 fully paid and non-assessable common shares of capital stock which have been assigned a value of \$7 per share.
- \$700,000 with interest at 5% from July 5, 1968 payable as follows:

\$200,000 on January 5, 1968	200,000 on January 5, 1970
200,000 on January 5, 1969	100,000 on January 5, 1971

The amount due on January 5, 1968 has been received, the amount due on January 5, 1969 is included in current assets and the amounts due in 1970 and 1971 are included in investments non-current.

NOTE 3. INVESTMENTS — CURRENT

This includes the following items:

	1968	1967
	Quoted Market Value	Cost
Marketable securities		Cost
Bonds	\$ 50,000	\$ 50,000
Debentures	686,400	208,000
Shares	1,065,543	1,008,051
	<u>1,801,943</u>	<u>1,266,051</u>
Temporary loan convertible to marketable securities		350,000
		<u>\$1,616,051</u>
		<u>\$623,908</u>

NOTE 4. FIXED ASSETS AND DEPRECIATION

Concurrent with the sale of the assets referred to in Note 2 above the company has obtained under lease the surface rights to the property on which the mill, buildings and equipment stand. This lease extends for a period of seven years after the termination of the agreement with the Icon Sullivan Joint Venture referred to in Note 1 at a consideration of \$1 per annum.

As at June 30, 1968 all assets used for the milling operations carried on under agreement with the Icon Sullivan Joint Venture are recorded at values which approximate management's estimates of their current economic net worth and depreciation less estimated salvage value is being charged to operations over the life of the agreement.

The policy of depreciating townsite houses over a period of ten years is continued in the current year.

NOTE 5. CONTINGENT LIABILITIES

The company is the defendant in legal actions of \$65,910 plus interest from March 1, 1966 and \$81,762 plus interest from November 30, 1956. The company has denied any liability in respect of these claims and has taken steps to support its denial of liability.

NOTE 6. STOCK OPTIONS

Options to certain employees to purchase 35,000 shares of unissued capital stock at \$1 per share have been exercised for cash.

NOTE 7. GENERAL AND ADMINISTRATION EXPENSES

Included in this amount are directors' fee of \$13,950 (12,100 in 1967) and executive remuneration of \$23,000 (\$25,500 in 1967). The company has an agreement with a third party to provide office space, accounting services, office employees and supervision of the Exploration Department for a fee of \$18,000 per year (\$18,000 in 1967). Two of the principal shareholders of the third party are the President and Secretary-Treasurer of Merrill Island Mining Corporation, Ltd.

NOTE 8. INCOME TAXES

No income taxes are payable because of the elimination of non-taxable income and the availability of previously unclaimed capital cost allowances.

Fixed assets having a net book value of \$811,414 as at June 30, 1968 have an undepreciated capital cost for income tax purposes of \$3,561,500. The difference of \$2,750,096 should be available in future years as a deduction from any taxable income which may be earned.

NOTE 9. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- On July 18, 1968 the company made an offer to purchase certain securities in a block sale for the sum of \$2,000,000 cash.
- On July 18, 1968 the Board of Directors authorized the undertaking of negotiations to purchase the assets of another mining company. The estimated cost to the company would be approximately \$2,000,000 should negotiations be successful.
- On July 2, 1968 the company agreed to underwrite 125,000 shares at 40¢ per share of the capital stock of Quebec Uranium Mining Corporation subject to the consent and approval of the Quebec Securities Commission.

